

BENTON COMMUNITY SCHOOL DISTRICT
VAN HORNE, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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BENTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
George Martin	President	2004
Elaine Harrington	Vice President	2003
Jeff Semelroth	Board Member	2005
Brenda Schanbacher	Board Member	2003
Connie Jacobsen	Board Member	2004
Gary Kaiser	Board Member	2005
Chris Christensen	Board Member	2003
<u>Board of Education</u>		
(After September 2003 Election)		
George Martin	President	2004
Connie Jacobsen	Vice President	2004
Jeff Semelroth	Board Member	(resigned 11-19-03) 2005
Brenda Schanbacher	Board Member	2004
Gary Kaiser	Board Member	2005
Terry Harrington	Board Member	2006
Chris Christensen	Board Member	2006
Brian Strellner	Board Member	(appointed 11-19-03) 2005
<u>School Officials</u>		
Gary Zittergruen	Superintendent	2004
Don Gibney	District Secretary	2004
Barb Barr	District Treasurer	2004
Brian Gruhn	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Benton Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Benton Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Benton Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2004 on our consideration of Benton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 12 and 40 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
September 24, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS 2004

This section of the Benton Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2004. Our analysis will focus on the District's financial performance as a whole for the fiscal year 2004.

This is the second year that all District financial activities are reported on a full accrual basis, and a comparison with the prior year will be made when possible.

Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- ◆ General Fund revenue decreased from \$ 11,596,660 in fiscal 2003 to \$ 11,345,683 in fiscal 2004 while General Fund expenditures increased from \$ 10,737,977 in fiscal 2003 to \$ 11,246,233 in fiscal 2004. This resulted in an increase in the District's General Fund balance from \$ 2,603,565 in fiscal 2003 to \$2,703,015 in fiscal 2004, a moderate increase from the prior year.
- ◆ The decrease in General Fund revenues was attributable to a decrease in property tax as well as state and federal grant revenue in fiscal 2004. In addition, 2004 was the first year the District Instructional Support Levy was partially funded by Income surtax. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. Another reason for the increase in District General Expenditures is additional employees in Fiscal 2004 compared to fiscal 2003.
- ◆ During the year ended June 30, 2004, the state of Iowa imposed a 2.5 percent reduction in State Foundation aid, which reduced the District General Fund revenue.
- ◆ Because the reduction occurred during the fiscal year, the District had already obligated the resources to fund fiscal 2004 salaries and programs. The District responded to the reduction with a planned reduction in expenditures in the General Fund during fiscal 2004. The District reduced planned expenditures in instructional programs and activities as well as postponed the purchase of selected equipment. These reductions in expenditures contributed to the District's General Fund increase as previously noted.
- ◆ A decline in interest rates during the fiscal year resulted in a decrease in General Fund earnings on investments. In fiscal 2003 the District earned \$ 31,079 on investments. In fiscal year 2004 the District earned \$ 24,581 on investments, a 20 percent decrease.
- ◆ The District sold \$3,280,000 in General Obligation bonds, set-up a Capital Projects Fund and began an extensive, multi-year, renovation project the Middle / High School Building exterior.

Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

- ◆ The statements for governmental funds explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- ◆ The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services, latchkey and preschool.
- ◆ The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

District Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

- ◆ Over time, increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating, respectively.
- ◆ To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and facilities and student enrollment trends.

In the District-wide financial statements, the District's activities are divided into two categories:

- ◆ **Governmental funds:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ◆ **Business-type funds:** The District charges fees to help cover the cost of certain services it provides. The District school nutrition program would be included here.

Fund Financial Statements

The fund financial statements, included with this report, provide more detailed information about the District's funds, focusing on its most significant or major funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Funds do not focus on the District as a whole.

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

Benton Community School District has three types of funds:

- ◆ **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets, which can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
- ◆ The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Permanent Fund.
- ◆ **Proprietary funds:** Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - ◆ The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the school nutrition program and preschool program.
- ◆ **Fiduciary funds:** The District is trustee, or fiduciary, for assets that belong to others. These funds include Agency funds.
 - ◆ **Agency Fund:** These are either funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts, or certain revenue collected from District employee purchases of pop and related expenditures.

The District is responsible for ensuring that those to whom the assets belong use only for their intended purposes and the assets reported in the fiduciary funds. The District excludes these activities from District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets: Figure A-1 provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-1 Statement of Net Assets

	Governmental Activities	Business- type Activity	School District	Government Activities	Business Activity	School District	Change
	2003	2003	2003	2004	2004	2004	
Current /other assets	8,658,778	64,140	8,722,918	10,325,663	74,933	10,400,596	1,677,678
Capital Assets	4,970,305	32,688	5,002,993	6,859,250	33,197	6,892,447	1,889,454
Total Assets	13,629,083	96,828	13,725,911	17,184,913	108,130	17,293,043	3,567,132
Long-term obligations	235,000	0	235,000	3,490,000	0	3,490,000	3,255,000
Other liabilities	5,065,446	0	5,065,446	5,127,327	7,732	5,135,059	69,613
Total Liabilities	5,300,446	0	5,300,446	8,617,327	7,732	8,625,059	3,324,613
Net Assets:							
Invested in capital Assets, net of debt	4,735,305	32,688	4,767,993	4,679,733	33,197	4,712,930	(55,063)
Restricted	886,510	0	886,510	1,072,941	0	1,072,941	186,431
Unrestricted	2,706,822	64,140	2,770,962	2,814,912	67,201	2,882,113	111,151
Total Net Assets	8,238,637	96,828	8,425,465	8,567,586	100,398	8,667,984	242,519

The District's current assets, capital assets, and long-term obligations were significantly higher on June 30, 2004 compared to June 30, 2003. This change is due to passing a 3.2 million dollar bond issue in September of 2003 of which the spent proceeds are included in capital assets while the unspent portion is included in current assets. The debt incurred increased long-term obligations.

Changes in net assets: Figure A-2 shows the changes in net assets for the year ending June 30, 2004 compared to the year ending June 30, 2003.

Figure A-2 Changes in Net Assets

	Government Activities	Business Activities	School District	Government Activities	Business Activities	School District	Change
	2003	2003	2003	2004	2004	2004	
Revenues:							
Program Revenue:							
Charge for service / sales	848,037	458,884	1,306,921	1,037,124	467,574	1,504,698	197,777
Operating grants, restricted interest	1,214,631	157,285	1,371,916	1,122,030	178,472	1,300,502	(71,414)
Capital grants, and restricted interest	150,000	0	150,000	50,000	0	50,000	(100,000)
General Revenues:							
Property tax	4,643,998	0	4,643,998	4,665,225	0	4,665,225	21,227
Unrestricted state grants	5,721,746	0	5,721,746	5,476,390	0	5,476,390	(245,356)
Unrestricted investments	35,505	506	36,011	49,059	407	49,466	13,455
Other	350,526	0	350,526	273,716	0	273,716	(76,810)
Total revenues	12,964,443	616,675	13,581,118	12,673,544	646,453	13,319,997	(261,121)
Program expenses:							
Governmental activities							
Instruction	7,850,557	0	7,850,557	7,927,841	0	7,927,841	77,284
Support services	3,173,203	0	3,173,203	3,669,898	0	3,669,898	496,695
Non-instruc. Programs	0	589,387	589,387	0	642,883	642,883	53,496
Other expenses	726,949	0	726,949	836,856	0	836,856	109,907
Total expenses	11,750,709	589,387	12,340,096	12,434,595	642,883	13,077,478	737,382
Change in net assets	1,213,734	27,288	1,241,022	238,949	3,570	242,519	(998,503)

Property tax and unrestricted state grants account for 76.14% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 88.68% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$ 12,673,544 and expenses were \$ 12,434,595. In fiscal 2004, the District attempted to balance revenues and expenses for most Governmental Funds. Particular attention was given to the District General Fund.

The following table presents the total and net cost of the District's major governmental activities; instruction, support services, non-instructional programs and other expenses.

Figure A-3 Total Net Cost of Governmental Activities

	Cost of Services	Net Cost of Services	Cost of Services	Net Cost of Services	Change
	2003	2003	2004	2004	
Instruction	7,850,557	6,290,223	7,927,841	6,393,451	103,228
Support services	3,173,203	3,041,549	3,669,898	3,479,043	437,494
Non-instructional programs	0	0	0	0	
Other expenses	726,949	206,269	836,856	352,947	146,678
Total	11,750,709	9,538,041	12,434,595	10,225,441	687,400

- ◆ The cost financed by users of District's programs was \$1,037,124.
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$ 1,172,030.
- ◆ The net cost of governmental activities was financed with \$ 4,665,225 in property tax, \$5,476,390 in unrestricted state grants and \$ 49,059 in interest income.

Business -Type Activities

Revenues for the District's business-type activities were \$646,453 and expenses were \$642,883. The District's business-type activities include the School Nutrition Fund and Latchkey and preschool programs. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the district increased its meal prices and preschool fees. This increase resulted in increased revenue to the School Nutrition Fund and Preschool Daycare Fund, which the District has obligated for updating computers and software and salaries for preschool personnel.

Financial Analysis of the District's Funds

As previously noted, the Benton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$ 4,946,442, an increase over last year's ending fund balances of \$ 3,259,943. The primary reason for the increase in combined fund balances in fiscal 2004 was due to the addition of the Capital Projects Fund for building improvements, and the Instructional Support and voted PPEL Levies.

Governmental Fund Highlights

- ◆ The District's General Fund financial position is the product of many factors. The Instructional Support Levy, taxes and grants resulted in a moderate increase in revenues. The increase in revenues was coupled with a larger than usual increase in General Fund expenditures. These conditions resulted in a small increase in the District's carry over fund balance.
- ◆ The General Fund balance increased from \$ 2,603,565 to \$ 2,703,015 due to personnel costs for the 2003-04 fiscal year and an increase in controlled expenditures for the year. In addition 2003-2004 was the second year for a District Instructional Support Levy.
- ◆ The Physical Plant and Equipment Levy (PPEL) Fund balance increased dramatically in 2003-2004. The Fund balance increased from \$ 315,664 in fiscal 2003 to \$669,665 in fiscal 2004. A five-year voted PPEL Levy, and funds held in reserve to support the Middle/High School retrofit project were the reason for the Fund balance increase.
- ◆ The Capital Projects fund balance increased from \$ 0 to \$ 1,310,483 due to the general obligation bond project for the High School and Middle School retrofit project as previously mentioned.

Proprietary Fund Highlights

The School Nutrition Fund had net assets of \$99,701 on June 30, 2004. As previously noted, the District increased meal prices resulting in the increase in net assets. The District also revamped its Nutrition accounting system and software in 2004. In addition the preschool program increased program fees and added students to the program, resulting in a positive balance for the program for 2003-2004.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following the required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District amended its annual budget one time by \$ 3,280,000 to reflect additional revenue and expenditures associated with the High School and Middle School retrofit project. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and Major Special Revenue Funds are not presented on the budgetary comparison pages.

Legal Budgetary Highlights

The District's total actual revenues were \$13,273,474; \$229,287 more than the total amended budget revenues, a variance of 1.76 percent. The most significant change resulted in the District receiving additional revenue in the Instructional Support Levy than originally budgeted. Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount that exceeds projected expenditures for the coming fiscal but is less than the maximum allowed by law. The District then manages or controls General Fund spending through a line-item budget at the building level. As a result the District's certified budget should always exceed the actual expenditures during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2004, the District had invested approximately \$ 6.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) This amount represents a net increase from the last fiscal year. More detailed information about capital assets is available in the financial statements. Depreciation expense for the year was \$ 337,419.

Excluding depreciation, the District has approximately \$ 13.7 million in capital assets. Governmental Funds account for approximately 13.6 million dollars in capital assets with the remainder of \$99,290 in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, Net of Depreciation

	Governmental	Business-type	School	Governmental	Business-Type	School
	Activities	Activities	District	Activities	Activities	District
	2003	2003	2003	2004	2004	2004
Land	63,056		63,056	63,056	0	63,056
Land Improv.	72,944		72,944	72,782	0	72,782
Buildings	4,149,041		4,149,041	4,019,984	0	4,019,984
Construction	0			1,986,171	0	1,986,171
Furniture/Equip.	685,264	32,688	717,952	717,257	33,197	750,454
Totals	4,970,305	32,688	5,002,993	6,859,250	33,197	6,892,447

Long-Term Debt

On June 30, 2004, the District had \$ 3,490,000 in general obligation and other long-term debt outstanding. This represents a significant increase from last year. The District issued \$3,280,000 additional long-term debt in the 2004 fiscal year. The funds are being used to finance a significant building exterior and roof retrofit project at the Middle / High School building.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- ◆ Although the District has experienced declining enrollment for the past three years, the District expects a stable to increasing enrollment in future years due to a new housing development in progress within the District.
- ◆ The District has evaluated the condition of its transportation vehicles and determined that due to rotation schedules, two buses and one van must be replaced during fiscal 2005 at a cost of \$138,000. To pay for these vehicles the District will use a combination of General Fund and PPEL Fund resources.
- ◆ The District will negotiate a new labor contract in 2005 with its employee groups. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and reserve fund balance.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Don Gibney, District Secretary and Business Manager, Benton Community School District, 304 First Street, PO Box 70, Van Horne, Iowa 52346-0070.

Basic Financial Statements

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 5,650,207	\$ 47,570	\$ 5,697,777
Receivables:			
Property tax:			
Current year	22,886	-	22,886
Succeeding year	4,161,407	-	4,161,407
Income surtax	332,213	-	332,213
Due from other governments	146,823	-	146,823
Inventories	12,127	27,363	39,490
Capital assets, net of accumulated depreciation (note 3)	6,859,250	33,197	6,892,447
Total assets	17,184,913	108,130	17,293,043
Liabilities			
Accounts payable	42,087	-	42,087
Salaries and benefits payable	843,514	2,749	846,263
Accrued interest payable	80,319	-	80,319
Deferred revenue:			
Succeeding year property tax	4,161,407	-	4,161,407
Other	-	4,983	4,983
Long-term liabilities (note 4):			
Portion due within one year:			
Bonds payable	45,000	-	45,000
Portion due after one year:			
Bonds payable	3,445,000	-	3,445,000
Total liabilities	8,617,327	7,732	8,625,059

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 4,679,733	\$ 33,197	\$ 4,712,930
Restricted for:			
Management levy	3,530	-	3,530
Physical plant and equipment levy	889,981	-	889,981
Other special revenue purposes	147,642	-	147,642
Debt service	17,317	-	17,317
Baseball program	14,471	-	14,471
Unrestricted	<u>2,814,912</u>	<u>67,201</u>	<u>2,882,113</u>
Total net assets	<u>\$ 8,567,586</u>	<u>\$ 100,398</u>	<u>\$ 8,667,984</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 4,957,519	\$ 449,200	\$ 347,157	\$ -
Special instruction	1,837,296	101,513	141,230	-
Other instruction	1,133,026	483,647	11,643	-
	<u>7,927,841</u>	<u>1,034,360</u>	<u>500,030</u>	<u>-</u>
Support services:				
Student services	290,174	-	104,177	-
Instructional staff services	309,381	-	-	-
Administration services	1,242,943	-	-	-
Operation and maintenance of plant services	1,053,532	2,764	33,914	50,000
Transportation services	773,868	-	-	-
	<u>3,669,898</u>	<u>2,764</u>	<u>138,091</u>	<u>50,000</u>
Other expenditures:				
Facilities acquisition	48,904	-	-	-
Long-term debt interest and fiscal charges	92,124	-	-	-
AEA flowthrough	483,909	-	483,909	-
Depreciation (unallocated) *	211,919	-	-	-
	<u>836,856</u>	<u>-</u>	<u>483,909</u>	<u>-</u>
Total governmental activities	12,434,595	1,037,124	1,122,030	50,000
Business-Type Activities:				
Non-instructional programs:				
Food service operations	555,158	383,213	178,472	-
Other programs	87,725	84,361	-	-
Total business-type activities	<u>642,883</u>	<u>467,574</u>	<u>178,472</u>	<u>-</u>
Total	\$ 13,077,478	\$ 1,504,698	\$ 1,300,502	\$ 50,000

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (4,161,162)	\$ -	\$ (4,161,162)
(1,594,553)	-	(1,594,553)
(637,736)	-	(637,736)
(6,393,451)	-	(6,393,451)
(185,997)	-	(185,997)
(309,381)	-	(309,381)
(1,242,943)	-	(1,242,943)
(966,854)	-	(966,854)
(773,868)	-	(773,868)
(3,479,043)	-	(3,479,043)
(48,904)	-	(48,904)
(92,124)	-	(92,124)
-	-	-
(211,919)	-	(211,919)
(352,947)	-	(352,947)
(10,225,441)	-	(10,225,441)
-	6,527	6,527
-	(3,364)	(3,364)
-	3,163	3,163
(10,225,441)	3,163	(10,222,278)

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 4,306,485	\$ -	\$ 4,306,485
38,786	-	38,786
319,954	-	319,954
272,526	-	272,526
5,476,390	-	5,476,390
49,059	407	49,466
1,190	-	1,190
<u>10,464,390</u>	<u>407</u>	<u>10,464,797</u>
238,949	3,570	242,519
<u>8,328,637</u>	<u>96,828</u>	<u>8,425,465</u>
<u>\$ 8,567,586</u>	<u>\$ 100,398</u>	<u>\$ 8,667,984</u>

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Special Revenue Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and pooled investments	\$ 3,415,036	\$ 664,465	\$ 1,310,483	\$ 260,223	\$ 5,650,207
Receivables:					
Property tax:					
Current year	14,630	5,200	-	3,056	22,886
Succeeding year	3,600,396	274,239	-	286,772	4,161,407
Income surtax	111,897	220,316	-	-	332,213
Due from other governments	146,823	-	-	-	146,823
Inventories	12,127	-	-	-	12,127
Total assets	<u>\$ 7,300,909</u>	<u>\$ 1,164,220</u>	<u>\$ 1,310,483</u>	<u>\$ 550,051</u>	<u>\$ 10,325,663</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 42,087	\$ -	\$ -	\$ -	\$ 42,087
Salaries and benefits payable	843,514	-	-	-	843,514
Deferred revenue:					
Succeeding year property tax	3,600,396	274,239	-	286,772	4,161,407
Other	111,897	220,316	-	-	332,213
Total liabilities	<u>4,597,894</u>	<u>494,555</u>	<u>-</u>	<u>286,772</u>	<u>5,379,221</u>
Fund balance:					
Reserved for:					
Inventories	12,127	-	-	-	12,127
Debt service	-	-	-	97,636	97,636
Baseball program	-	-	-	14,471	14,471
Unreserved:					
Reported in nonmajor Special					
Revenue Funds	-	-	-	151,172	151,172
Undesignated	2,690,888	669,665	1,310,483	-	4,671,036
Total fund balances	<u>2,703,015</u>	<u>669,665</u>	<u>1,310,483</u>	<u>263,279</u>	<u>4,946,442</u>
Total liabilities and fund balances	<u>\$ 7,300,909</u>	<u>\$ 1,164,220</u>	<u>\$ 1,310,483</u>	<u>\$ 550,051</u>	<u>\$ 10,325,663</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2004

Total fund balances of governmental funds	\$ 4,946,442
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,859,250
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	332,213
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(80,319)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,490,000)</u>
Net assets of governmental activities	<u>\$ 8,567,586</u>
See notes to financial statements.	

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Special Revenue Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 4,158,783	\$ 595,684	\$ -	\$ 182,818	\$ 4,937,285
Tuition	337,499	-	-	-	337,499
Other	114,203	2,981	16,654	482,765	616,603
Intermediate sources	22,981	-	-	-	22,981
State sources	6,411,673	273	-	163	6,412,109
Federal sources	300,544	-	-	-	300,544
Total revenues	11,345,683	598,938	16,654	665,746	12,627,021
Expenditures:					
Current:					
Instruction:					
Regular instruction	4,948,094	-	-	-	4,948,094
Special instruction	1,837,296	-	-	-	1,837,296
Other instruction	597,376	-	-	540,806	1,138,182
	7,382,766	-	-	540,806	7,923,572
Support services:					
Student services	290,174	-	-	-	290,174
Instructional staff services	309,381	-	-	-	309,381
Administration services	1,073,831	-	-	163,269	1,237,100
Operation and maintenance of plant services	960,453	246,033	-	-	1,206,486
Transportation services	745,719	-	-	-	745,719
	3,379,558	246,033	-	163,269	3,788,860
Other expenditures:					
Facilities acquisition	-	48,904	1,986,171	-	2,035,075
Long term debt:					
Principal	-	-	-	25,000	25,000
Interest and fiscal charges	-	-	-	14,106	14,106
AEA flowthrough	483,909	-	-	-	483,909
	483,909	48,904	1,986,171	39,106	2,558,090
Total expenditures	11,246,233	294,937	1,986,171	743,181	14,270,522
Excess (deficiency) of revenues over (under) expenditures	99,450	304,001	(1,969,517)	(77,435)	(1,643,501)

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Special Revenue Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources:					
Compensation for loss of capital assets	\$ -	\$ 50,000	\$ -	\$ -	\$ 50,000
General obligation bonds issued	-	-	3,280,000	-	3,280,000
Total other financing sources	-	50,000	3,280,000	-	3,330,000
Net change in fund balances	99,450	354,001	1,310,483	(77,435)	1,686,499
Fund balances beginning of year	2,603,565	315,664	-	340,714	3,259,943
Fund balances end of year	\$ <u>2,703,015</u>	\$ <u>669,665</u>	\$ <u>1,310,483</u>	\$ <u>263,279</u>	\$ <u>4,946,442</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 1,686,499

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 2,226,364	
Depreciation expense	<u>(337,419)</u>	1,888,945

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. (3,477)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 25,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (78,018)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the statement of net assets and do not affect the statement of activities. (3,280,000)

Change in net assets of governmental activities \$ 238,949

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2004

	<u>Nonmajor Enterprise Funds</u>
Assets	
Cash and cash equivalents	\$ 47,570
Inventories	27,363
Capital assets, net of accumulated depreciation	<u>33,197</u>
Total assets	<u>108,130</u>
Liabilities	
Salaries and benefits payable	2,749
Deferred revenue	<u>4,983</u>
Total liabilities	<u>7,732</u>
Net Assets	
Invested in capital assets	33,197
Unrestricted	<u>67,201</u>
Total net assets	<u>\$ 100,398</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	<u>Nonmajor Enterprise Funds</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>467,574</u>
Operating expenses:	
Non-instructional programs:	
Food and community service operations:	
Salaries	320,383
Benefits	44,163
Purchased services	10,182
Supplies	252,983
Small equipment	8,082
Depreciation	6,366
Other	724
	<u>642,883</u>
Operating loss	<u>(175,309)</u>
Non-operating revenues:	
Interest on investments	407
State sources	7,879
Federal sources	<u>170,593</u>
Total non-operating revenues	<u>178,879</u>
Change in net assets	3,570
Net assets beginning of year	<u>96,828</u>
Net assets end of year	\$ <u><u>100,398</u></u>
See notes to financial statements.	

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Nonmajor Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 376,533
Cash received from miscellaneous operating activities	96,024
Cash payments to employees for services	(361,797)
Cash payments to suppliers for goods or services	(228,178)
Net cash used in operating activities	<u>(117,418)</u>
Cash flows from non-capital financing activities:	
State grants received	7,879
Federal grants received	122,801
Net cash provided by non-capital financing activities	<u>130,680</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(6,875)</u>
Cash flows from investing activities:	
Interest on investments	<u>407</u>
Net increase in cash and cash equivalents	6,794
Cash and cash equivalents beginning of year	<u>40,776</u>
Cash and cash equivalents end of year	<u>\$ 47,570</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (175,309)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	6,366
Commodities used	47,792
(Increase) in inventories	(3,999)
Increase in salaries and benefits payable	2,749
Increase in deferred revenue	<u>4,983</u>
Net cash used in operating activities	<u>\$ (117,418)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2004, the District received \$47,792 of federal commodities.	

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

Benton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Van Horne, Norway, Atkins, Blairstown, Elberon, Watkins, and Walford, Iowa, and the agricultural territory in Benton, Iowa, and Tama Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Benton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Benton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Benton and Iowa County Assessor's Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Special Revenue, Physical Plant and Equipment Levy Fund is used to account for the payment of capital and related expenditures for building improvements and certain types of equipment.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds are the Enterprise, School Nutrition Fund, and the Enterprise, Preschool Daycare Fund. These funds are used to account for the food service and preschool daycare operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Income surtax receivable – Income surtax budgeted for the fiscal year ended June 30, 2004 will not be received by the District until the fiscal year ending June 30, 2005. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	45 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2004.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 63,056	\$ -	\$ -	\$ 63,056
Construction in progress	-	1,986,171	-	1,986,171
Total capital assets not being depreciated	<u>63,056</u>	<u>1,986,171</u>	<u>-</u>	<u>2,049,227</u>
Capital assets being depreciated:				
Buildings	9,030,697	52,777	-	9,083,474
Improvements other than buildings	184,931	9,317	-	194,248
Furniture and equipment	2,472,339	178,099	362,149	2,288,289
Total capital assets being depreciated	<u>11,687,967</u>	<u>240,193</u>	<u>362,149</u>	<u>11,566,011</u>
Less accumulated depreciation for:				
Buildings	4,881,656	181,834	-	5,063,490
Improvements other than buildings	111,987	9,479	-	121,466
Furniture and equipment	1,787,075	146,106	362,149	1,571,032
Total accumulated depreciation	<u>6,780,718</u>	<u>337,419</u>	<u>362,149</u>	<u>6,755,988</u>
Total capital assets being depreciated, net	<u>4,907,249</u>	<u>(97,226)</u>	<u>-</u>	<u>4,810,023</u>
Governmental activities capital assets, net	<u>\$ 4,970,305</u>	<u>\$ 1,888,945</u>	<u>\$ -</u>	<u>\$ 6,859,250</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 3. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 93,808	\$ 6,875	\$ 1,393	\$ 99,290
Less accumulated depreciation	61,120	6,366	1,393	66,093
Business-type activities capital assets, net	<u>\$ 32,688</u>	<u>\$ 509</u>	<u>\$ -</u>	<u>\$ 33,197</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular	\$ 9,425
Other	4,844

Support services:

Administration	5,843
Operation and maintenance of plant services	4,749
Transportation	100,639

125,500

Unallocated depreciation

211,919

Total governmental activities depreciation expense

\$ 337,419

Business-type activities:

Food service operations	\$ 6,366
-------------------------	----------

Note 4. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	General Obligation Bonds
Balance beginning of year	\$ 235,000
Additions	3,280,000
Reductions	25,000
Balance end of year	<u>\$ 3,490,000</u>
Due within one year	<u>\$ 45,000</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 1, 1993			
	Interest Rates	Principal	Interest	Total
2005	5.60 %	\$ 25,000	\$ 12,408	\$ 37,408
2006	5.75	25,000	11,007	36,007
2007	5.90	30,000	9,570	39,570
2008	6.00	30,000	7,800	37,800
2009	6.00	30,000	6,000	36,000
2010	6.00	35,000	4,200	39,200
2011	6.00	35,000	2,100	37,100
Subtotal		210,000	53,085	263,085

Year Ending June 30,	Bond Issue of December 1, 2003			
	Interest Rates	Principal	Interest	Total
2005	2.500 %	\$ 20,000	\$ 190,039	\$ 210,039
2006	4.000	100,000	133,645	233,645
2007	4.000	105,000	129,645	234,645
2008	4.375	110,000	125,445	235,445
2009	4.500	115,000	120,632	235,632
2010	4.500	120,000	115,458	235,458
2011	4.500	125,000	110,058	235,058
2012	3.375	170,000	104,432	274,432
2013	3.500	180,000	98,695	278,695
2014	3.700	185,000	92,395	277,395
2015	3.800	190,000	85,550	275,550
2016	3.900	200,000	78,330	278,330
2017	4.000	210,000	70,530	280,530
2018	4.100	215,000	62,130	277,130
2019	4.150	225,000	53,315	278,315
2020	4.250	235,000	43,977	278,977
2021	4.300	245,000	33,990	278,990
2022	4.400	260,000	23,455	283,455
2023	4.450	270,000	12,015	282,015
Subtotal		3,280,000	1,683,736	4,963,736
Total		<u>\$ 3,490,000</u>	<u>\$ 1,736,821</u>	<u>\$ 5,226,821</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Long-Term Liabilities (continued)

Bonds Payable (continued)

During the year ended June 30, 2004, the District issued \$3,280,000 and retired \$25,000 of bonds.

Note 5. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$444,481, \$398,884, and \$393,748 respectively, equal to the required contributions for each year.

Note 6. Risk Management

Benton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$483,909 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 8. Construction Commitments

The District entered into a contract totaling \$2,963,535 for middle school/high school building renovation. At June 30, 2004, \$2,016,768 of the contract was completed. The remaining amount of the contract will be paid as work on the project progresses.

Note 9. Contingency – Lawsuit

The District has one ongoing lawsuit. The proceedings are still in the litigation stages and the outcome cannot be determined at this time. However, if the outcome is adverse, the District's commercial insurance should be sufficient to cover any loss.

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Required Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual (Accrual Basis) – All Governmental Funds and Proprietary Funds Required Supplementary Information Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 5,891,387	\$ 467,981	\$ 6,359,368	\$ 6,317,435	\$ 6,317,435	\$ 41,933
Intermediate sources	22,981	-	22,981	12,000	12,000	10,981
State sources	6,412,109	7,879	6,419,988	6,382,152	6,382,152	37,836
Federal sources	300,544	170,593	471,137	332,600	332,600	138,537
Total revenues	12,627,021	646,453	13,273,474	13,044,187	13,044,187	229,287
EXPENDITURES:						
Instruction	7,923,572	-	7,923,572	8,671,000	8,671,000	747,428
Support services	3,788,860	-	3,788,860	4,350,000	4,350,000	561,140
Non-instructional programs	-	642,883	642,883	660,100	660,100	17,217
Other expenditures	2,558,090	-	2,558,090	566,678	3,846,678	1,288,588
Total expenditures	14,270,522	642,883	14,913,405	14,247,778	17,527,778	2,614,373
Excess (deficiency) of revenues over (under) expenditures	(1,643,501)	3,570	(1,639,931)	(1,203,591)	(4,483,591)	2,843,660
Other financing sources, net	3,330,000	-	3,330,000	-	-	3,330,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures	1,686,499	3,570	1,690,069	(1,203,591)	(4,483,591)	6,173,660
Balance beginning of year	3,259,943	96,828	3,356,771	1,707,581	1,707,581	1,649,190
Balance end of year	\$ 4,946,442	\$ 100,398	\$ 5,046,840	\$ 503,990	\$ (2,776,010)	\$ 7,822,850

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis. Encumbrances are not recognized on the budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$3,280,000.

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Other Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	<u>Special Revenue</u>			<u>Permanent</u>	
	<u>Management</u>	<u>Student</u>	<u>Debt</u>	<u>Marjorie</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	<u>Smith</u>	<u>Total</u>
				<u>Trust</u>	
Assets					
Cash and pooled investments	\$ 1,106	\$ 147,642	\$ 97,004	\$ 14,471	\$ 260,223
Receivables:					
Property tax:					
Current year	2,424	-	632	-	3,056
Succeeding year	149,074	-	137,698	-	286,772
Total assets	\$ <u>152,604</u>	\$ <u>147,642</u>	\$ <u>235,334</u>	\$ <u>14,471</u>	\$ <u>550,051</u>
Liabilities and Fund Equity					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ <u>149,074</u>	\$ <u>-</u>	\$ <u>137,698</u>	\$ <u>-</u>	\$ <u>286,772</u>
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	97,636	-	97,636
Baseball program	-	-	-	14,471	14,471
Unreserved:					
Undesignated	3,530	147,642	-	-	151,172
Total fund equity	<u>3,530</u>	<u>147,642</u>	<u>97,636</u>	<u>14,471</u>	<u>263,279</u>
Total liabilities and fund equity	\$ <u>152,604</u>	\$ <u>147,642</u>	\$ <u>235,334</u>	\$ <u>14,471</u>	\$ <u>550,051</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2004

	Special Revenue			Permanent Marjorie Smith Trust	Total
	Management Levy	Student Activity	Debt Service		
Revenues:					
Local sources:					
Local tax	\$ 144,066	\$ -	\$ 38,752	\$ -	\$ 182,818
Other	14	479,206	3,413	132	482,765
State sources	129	-	34	-	163
Total revenues	<u>144,209</u>	<u>479,206</u>	<u>42,199</u>	<u>132</u>	<u>665,746</u>
Expenditures:					
Current:					
Instruction:					
Other instruction	-	540,806	-	-	540,806
Support services:					
Administration services	163,269	-	-	-	163,269
Other expenditures:					
Long term debt:					
Principal	-	-	25,000	-	25,000
Interest and fiscal charges	-	-	14,106	-	14,106
Total expenditures	<u>163,269</u>	<u>540,806</u>	<u>39,106</u>	<u>-</u>	<u>743,181</u>
Excess (deficiency) of revenues over (under) expenditures	(19,060)	(61,600)	3,093	132	(77,435)
Fund balances beginning of year	<u>22,590</u>	<u>209,242</u>	<u>94,543</u>	<u>14,339</u>	<u>340,714</u>
Fund balances end of year	<u>\$ 3,530</u>	<u>\$ 147,642</u>	<u>\$ 97,636</u>	<u>\$ 14,471</u>	<u>\$ 263,279</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS

June 30, 2004

	School Nutrition	Preschool Daycare	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 44,124	\$ 3,446	\$ 47,570
Inventories	27,363	-	27,363
Capital assets, net of accumulated depreciation	33,197	-	33,197
	<u> </u>	<u> </u>	<u> </u>
Total assets	104,684	3,446	108,130
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
Salaries and benefits payable	-	2,749	2,749
Deferred revenue	4,983	-	4,983
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	4,983	2,749	7,732
	<u> </u>	<u> </u>	<u> </u>
Net Assets			
Invested in capital assets	33,197	-	33,197
Unrestricted	66,504	697	67,201
	<u> </u>	<u> </u>	<u> </u>
Total net assets	\$ 99,701	\$ 697	\$ 100,398
	<u> </u>	<u> </u>	<u> </u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 Year Ended June 30, 2004

	School Nutrition	Preschool Daycare	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 383,213	\$ 84,361	\$ 467,574
Operating expenses:			
Non-instructional programs:			
Food and community services operations:			
Salaries	243,883	76,500	320,383
Benefits	34,073	10,090	44,163
Purchased services	10,182	-	10,182
Supplies	251,885	1,098	252,983
Small equipment	8,082	-	8,082
Depreciation	6,366	-	6,366
Miscellaneous	687	37	724
Total operating expenses	555,158	87,725	642,883
Operating loss	(171,945)	(3,364)	(175,309)
Non-operating revenues:			
Interest on investments	407	-	407
State sources	7,879	-	7,879
Federal sources	170,593	-	170,593
Total non-operating revenues	178,879	-	178,879
Change in net assets	6,934	(3,364)	3,570
Net assets beginning of year	92,767	4,061	96,828
Net assets end of year	\$ 99,701	\$ 697	\$ 100,398

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 Year Ended June 30, 2004

	School Nutrition	Preschool Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 376,533	\$ -	\$ 376,533
Cash received from miscellaneous operating activities	11,663	84,361	96,024
Cash payments to employees for services	(277,956)	(83,841)	(361,797)
Cash payments to suppliers for goods or services	(227,043)	(1,135)	(228,178)
Net cash used in operating activities	<u>(116,803)</u>	<u>(615)</u>	<u>(117,418)</u>
Cash flows from non-capital financing activities:			
State grants received	7,879	-	7,879
Federal grants received	122,801	-	122,801
Net cash provided by non-capital financing activities	<u>130,680</u>	<u>-</u>	<u>130,680</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(6,875)</u>	<u>-</u>	<u>(6,875)</u>
Cash flows from investing activities:			
Interest on investments	<u>407</u>	<u>-</u>	<u>407</u>
Net increase (decrease) in cash and cash equivalents	7,409	(615)	6,794
Cash and cash equivalents at beginning of year	<u>36,715</u>	<u>4,061</u>	<u>40,776</u>
Cash and cash equivalents at end of year	<u>\$ 44,124</u>	<u>\$ 3,446</u>	<u>\$ 47,570</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (171,945)	\$ (3,364)	\$ (175,309)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	6,366	-	6,366
Commodities used	47,792	-	47,792
(Increase) in inventories	(3,999)	-	(3,999)
Increase in salaries and benefits payable	-	2,749	2,749
Increase in deferred revenue	<u>4,983</u>	<u>-</u>	<u>4,983</u>
Net cash used in operating activities	<u>\$ (116,803)</u>	<u>\$ (615)</u>	<u>\$ (117,418)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$47,792 of federal commodities.

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
General	\$ 5,762	\$ -	\$ 4,445	\$ 1,317
Drama	4,805	6,762	8,442	3,125
Vocal	18,196	80,134	90,544	7,786
Instrumental	26,762	22,285	48,993	54
Industrial Tech. Project	2,675	4,481	6,416	740
Industrial Tech. Resale	2,843	-	2,419	424
Cross Country	-	525	-	525
Student Council	556	1,349	1,670	235
Media Club	638	583	-	1,221
Concessions	2,029	-	1,500	529
Yearbook	7,266	8,964	7,439	8,791
Art Club	452	4,417	4,629	240
Pom Pom	260	829	886	203
SADD	534	465	909	90
FFA	11,085	53,845	58,154	6,776
Spanish Club	9,204	12,440	7,586	14,058
National Honor Society	1,527	2,144	1,966	1,705
FHA	1,765	9,259	8,732	2,292
Wrestlerettes	45	-	-	45
Thespians	415	779	761	433
Class of 2001	1,301	-	1,301	-
Class of 2003	1,993	-	120	1,873
Class of 2004	1,818	3,549	5,029	338
Class of 2005	2,213	1,159	1,785	1,587
Class of 2006	7	1,149	50	1,106
Class of 2007	-	1,369	70	1,299
HOSA	1,289	18,199	19,478	10
Science Club	707	-	-	707
Farm Safety	62	-	-	62
General Athletics	50,026	175,564	189,425	36,165
Intrafund Transfers	-	(2,897)	(2,897)	-
	156,235	407,353	469,852	93,736
Middle School:				
Student Council	2,352	526	374	2,504

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Atkins:				
General	\$ 155	\$ 35	\$ -	\$ 190
Student Council	1,385	16,735	12,967	5,153
Media Club	38	2,949	2,326	661
Latch-key	339	-	-	339
	<u>1,917</u>	<u>19,719</u>	<u>15,293</u>	<u>6,343</u>
Norway:				
General	463	97	-	560
Student Council	33,256	19,299	26,632	25,923
Media Club	1,403	5,953	5,543	1,813
Yearbook	(66)	3,258	3,164	28
	<u>35,056</u>	<u>28,607</u>	<u>35,339</u>	<u>28,324</u>
Keystone:				
General	2,968	222	-	3,190
Vocal	830	-	500	330
Instrumental	42	-	-	42
VHE Fundraiser	-	2,000	-	2,000
Student Council	8,632	20,779	19,448	9,963
Media Club	532	-	-	532
Art Club	678	-	-	678
	<u>13,682</u>	<u>23,001</u>	<u>19,948</u>	<u>16,735</u>
Total	\$ <u>209,242</u>	\$ <u>479,206</u>	\$ <u>540,806</u>	\$ <u>147,642</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ -	\$ 24,090	\$ 24,090	\$ -
Liabilities				
Other payables	\$ -	\$ 24,090	\$ 24,090	\$ -

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 4,937,285	\$ 4,858,251	\$ 4,079,578	\$ 3,688,920
Tuition	337,499	266,588	197,480	192,501
Other	616,603	619,301	658,046	591,467
Intermediate sources	22,981	41,223	16,832	15,137
State sources	6,412,109	6,733,964	6,664,994	6,534,819
Federal sources	300,544	313,179	147,526	174,671
Total revenues	<u>\$ 12,627,021</u>	<u>\$ 12,832,506</u>	<u>\$ 11,764,456</u>	<u>\$ 11,197,515</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 4,948,094	\$ 4,977,461	\$ 4,945,610	\$ 4,806,478
Special instruction	1,837,296	1,734,672	1,675,655	1,694,251
Other instruction	1,138,182	1,119,163	1,120,745	1,021,449
Support services:				
Student services	290,174	164,767	173,045	152,264
Instructional staff services	309,381	233,175	198,954	204,323
Administration services	1,237,100	1,014,909	987,446	965,682
Operation and maintenance of plant services	1,206,486	1,331,018	1,019,439	1,019,332
Transportation services	745,719	675,080	719,009	750,328
Other expenditures:				
Facilities acquisition	2,035,075	34,071	-	28,578
Long-term debt:				
Principal	25,000	25,000	25,000	25,000
Interest and fiscal charges	14,106	15,508	16,908	18,308
AEA flowthrough	483,909	520,680	518,829	518,778
Total expenditures	<u>\$ 14,270,522</u>	<u>\$ 11,845,504</u>	<u>\$ 11,400,640</u>	<u>\$ 11,204,771</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of
Benton Community School District:

We have audited the financial statements of Benton Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 24, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Benton Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Benton Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item II-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Benton Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for items I-A-04 and I-B-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Benton Community School District and other parties to whom Benton Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Benton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
September 24, 2004

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-04 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as receiving, recording and processing cash receipts and performing bank reconciliations, which can be performed by the same person, and preparing, recording, and mailing checks, which can be performed by the same person. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken some steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that a lack of segregation of duties in the above mentioned areas still exists.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that the Business Manager continue to review and be involved in the day to day transactions.

Response – We will review the recommendations and look to improve in areas where possible.

Conclusion – Response accepted.

I-B-04 Unauthorized Signatures – A bank confirmation indicated the name of a former employee who would be able to sign checks as an authorized check signer on one bank account.

Recommendation – The District should obtain and prepare proper authorization cards for all accounts at all banks in which the District deposits District funds.

Response – We have updated the authorization card for this account in August 2004.

Conclusion – Response accepted.

I-C-04 Disbursements – Out of forty disbursements tested, one was not supported by an invoice or receipt.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation.

Response – We will make sure that all future disbursements are properly supported.

Conclusion – Response accepted.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Expenditures for the year ended June 30, 2004, did not exceed the amounts budgeted.
- II-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions – We noted no business transactions between the District and District officials or employees.
- II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-04 Nutrition Fund Records – The Enterprise, School Nutrition Fund records do not provide a way to track lunch, breakfast and ala carte revenues separately.

Recommendation – The District should change the School Nutrition Fund recordkeeping so that student lunch, student breakfast, ala carte and adult sales revenues are recorded separately, in accordance with Department of Education guidelines.

Response – We will record lunch, breakfast, and ala carte revenues separately in the future.

Conclusion – Response accepted.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (continued):

- II-L-04 Additional Compensation – We noted a payment to an employee for additional work for a musical arrangement that did not run through the District’s payroll.

Recommendation – The District should ensure that payments to employees for services performed be treated as additional compensation and, accordingly, withhold the appropriate taxes as required by the Internal Revenue Service and the Iowa Department of Revenue and Finance.

Response – We will make sure that all payments to employees for services performed run through the District’s normal payroll process.

Conclusion – Response accepted.

- II-M-04 Agency Fund – We noted transactions being recorded through the Fiduciary, Agency Fund, such as donations and the purchase of a sound system for the District, that would more appropriately be accounted for in the General Fund.

Recommendation – The Agency Fund is only to be used to account for money received by the District as an agent for individuals, private organizations and other governments.

Response – We will record future similar transactions in the General Fund.

Conclusion – Response accepted.

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